

Corporate Anti-Fraud and Corruption Policy

1.0 Foreword

- 1.1 The United Kingdom public sector maintains high standards of probity and has a good reputation for protecting public finances. Sound systems of public accountability are vital to effective management and in maintaining public confidence. South Derbyshire District Council shares these high standards and is committed to protecting the public funds entrusted to it. The prevention and detection of fraud and corruption is essential for ensuring that resources are used for their intended purposes, that of providing services to the public of South Derbyshire.
- 1.2 The public are entitled to expect the Authority to conduct its affairs with integrity, honesty and transparency, and that its Members and employees at all levels will lead by example and observe all statutory requirements and internal policies and procedures. This Anti-Fraud and Corruption Policy outlines the Authority's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.

2.0 Introduction

- 2.1 The purpose of this Policy document is to outline the Authority's approach, as well as defining roles and responsibilities, for dealing with the threat of fraud and corruption. It applies to:
- Members
 - Employees
 - Agency Workers
 - Contractors
 - Consultants
 - Suppliers
 - Service users
 - Staff and committee members of organisations funded by the Authority
 - Staff and principals of partner organisations
- The Authority also expects that individuals and organisations with which it comes into contact, will act with integrity when dealing with the Authority.
- 2.2 In all its dealings, the Authority will adhere to the seven principles of public life set out in the Nolan Committee's report on *Standards in Public Life* and the three additional principles set out in The Relevant Authorities (General Principles) Order 2001, these being:
- Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership
 - Respect for Others
 - Duty to uphold the law
 - Stewardship

- 2.3 This Policy is based on a series of comprehensive and inter-related procedures. It's objective is to encourage and promote the prevention, detection and investigation of fraud and corruption, to deter fraud and corruption and to take appropriate and decisive action against any attempted or actual fraudulent activity affecting the Authority.
- 2.4 In order for the Authority to be effective in its approach to dealing with the problem of fraud and corruption, it is important that it creates a culture of intolerance rather than indifference to such matters.

3.0 Corporate Framework

- 3.1 The Fraud Act 2006 came into force on the 15 January 2007 and provides a single offence of fraud which can be committed in three different ways, by:
- False representation;
 - Failure to disclose information when there is a legal duty to do so; and
 - Abuse of position.
- 3.2 The Authority has a range of interrelated policies and procedures that provide a corporate framework for counter-fraud activity. These have been formulated to comply with appropriate legislative requirements and include:
- The Constitution
 - Financial Regulations & Contracts Procedure Rules
 - Members' Code of Conduct
 - Employee's Code of Conduct
 - Scheme of Delegation to Officers
 - Accounting Procedures & Records
 - Gifts & Hospitality Register – Members' and Employees'
 - Internal Audit & Controls
 - External Audits
 - Independent External Inspection
 - Effective Recruitment & Selection Procedures
 - Disciplinary Procedure
 - Housing Benefit & Council Tax Benefit Prosecution Policy
 - Housing Benefit and Council Tax Benefit Anti Fraud Strategy
 - Audit Commission's National Fraud Initiative
 - Housing Benefits Matching Service
 - Confidential Reporting Policy and Procedure – (Whistle blowing Policy)
 - Regulation of Investigatory Powers Act Policy
 - Electronic Communications & Security Policy
 - Member Employee Protocol

4.0 Prevention

4.1 Members

- 4.2 Members are expected to act in a manner which sets an example to the community whom they represent and to employees of the Authority. In particular, Members are required to operate within:
- Members' Code of Conduct
 - The Authority's Council Procedure Rules and Financial Regulations
 - Members' Planning Code of Good Practice
 - Protocol for the Use of Information Technology by Members of the Council

- Protocol on Member/Employee Relationships
- Licensing Protocol & Procedure
- Code of Conduct for Representatives on Outside Bodies.

- 4.3 Members will comply with the Members Code of Conduct, which contains guidance on the disclosure of personal and prejudicial interests, registration of Members' Interests and Gifts and Hospitality.
- 4.4 After approving a Corporate Anti-Fraud Corruption Policy and Procedure, Members will be expected to play an important role through leading by example and supporting it.
- 4.5 Allegations about Members that are received by either Internal Audit or the Corporate Anti-Fraud Team (CAFT) will be referred to the Monitoring Officer immediately. The Monitoring Officer may use the services of CAFT for the purposes of any investigations.
- 4.6 All allegations of fraud and corruption made against Members will be fully investigated in accordance with the provisions of the Local Government Act 2000.
- 4.7 Employees
- 4.8 The Authority's Employees are the first line of defence against fraud and corruption. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. It is the responsibility of Directors, Heads of Service and Line Managers to be aware of the appropriate financial and other anti-fraud regulations and to be responsible for ensuring compliance to them by the Employees for which they are responsible.
- 4.9 The Council recognises that a key preventative measure in counteracting fraud and corruption exists within the recruitment process where, as far as possible, the previous record of all potential Employees, in terms of propriety and integrity, can be established. In this regard, temporary Employees should be treated in the same manner as permanent Employees.
- 4.10 Recruitment will be undertaken in accordance with the Authority's Recruitment and Selection Policies. The necessary checks to establish whether the potential employees are eligible to work in the UK should be carried out on the day of interview. Evidence of required qualifications must also be obtained. Written references on the Council's standard format covering the integrity and honesty of potential employees must be obtained at an appropriate time before employment commences. The Authority also undertakes, for appropriate posts, checks through the Criminal Records Bureau (CRB).
- 4.11 Employees are expected to abide by the Council's Employee Code of Conduct which sets out the Council's standards on personal conduct. In addition, if they are members of professional bodies, Employees are expected to follow the Code of Conduct related to their professional qualification. The Authority will report any known impropriety to the relevant Institute to consider appropriate disciplinary action.
- 4.12 Employees are also reminded of their statutory requirements under Section 117 of the Local Government Act 1972. This requires the disclosure of any pecuniary

interests by Employees in Authority contracts and that Employees must not accept any fees or rewards other than that of their contracted remuneration. Employees should also seek agreement from their manager before engaging in outside business or taking up another appointment for financial gain. This is to ensure that additional work does not conflict or detrimentally affect the Authority's business or in any way weakens public confidence in the way the Authority conducts its business. Private work, must only be carried out during hours when not employed by the Authority and should not be conducted from Authority premises or using any Council resource. These resources include items such as electronic communications, vehicles, materials and any other resource that is used to deliver services.. Additionally, Authority facilities should not be used.

4.13 Internal Control Systems

4.14 The Authority has Financial Regulations, Contract Procedure Rules, Accounting procedures and various rules and Codes of Conduct in place, that must be followed by Employees and Members.

4.15 The Director of Corporate Services has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure there are proper arrangements in place to administer the Authority's financial affairs. Additionally, The Accounts and Audit Regulations 2003 (as amended 2006) require the Authority to maintain an adequate and effective internal audit of its financial records and systems of internal control.

4.16 Internal Audit regularly assesses the level of risk within the Authority's systems with a view to preventing fraud and corruption.

4.17 It is acknowledged that the Authority's systems are vulnerable from attack from within the Authority, particularly by those intent on gaining knowledge of control weaknesses through their official position. As prevention is better than a cure, managers must establish and maintain systems of internal control, including the separation of duties, to ensure that the Authority's resources are properly applied on the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

4.18 The adequacy and appropriateness of the Authority's systems of internal control are independently monitored by both Internal and External Audit. Any weakness identified are reported to management whose duty it is to ensure that corrective action is taken. The Section 151 Officer will use their statutory power to enforce the required changes if necessary.

4.19 Contractors, Suppliers and Partners

4.20 Those organisations employed to work on behalf of the Authority are expected to maintain strong anti-fraud principles. Our contract partners will be expected to have adequate recruitment procedures and controls when they are administering finance on behalf of the Authority.

4.21 The Authority expects our partners to have controls in place to minimise fraud and to provide access to their financial records as they relate to our finances, and their staff (which includes any Agency Worker, contractor etc) will be required to assist fully in any investigation.

4.22 The Authority will seek the strongest available sanctions against contractors that commit fraud against the Authority or who commit fraud against public funds. We will request that the organisation takes necessary action against the individual.

4.23 The Public and External Organisations

4.24 Members of the public receive financial assistance and benefits from the Authority through a variety of sources. These include council Tenancies, Temporary Accommodation, Renovation and other housing related grants, Housing Benefit and Council Tax Benefit, Council Tax discounts and Right to Buy discounts. Inevitably, these areas have been targeted by those intent on committing fraud, resulting in reduced available funding for those in genuine need.

4.25 Historically, Housing Benefit and Council Tax Benefit scheme has received significant attention from Investigation personnel due to the scale of the financial support the scheme receives from Central Government. Projects such as the National Fraud Initiative, the Housing Benefit Matching Service and Partnership working with agencies like the Department for Work and Pensions and the Pensions Service have strengthened the work already being done.

4.26 It is recognised that the other above mentioned areas require the same focus as Housing Benefit and Council Tax Benefit but will not receive the same volume of cases in terms of investigations. The same principles of investigations will apply across the board where fraud and corruption is alleged.

4.27 All applications for financial or other assistance will be verified to the highest standard and all data available to the Authority will be used to corroborate information provided by applicants for the purposes of preventing and detecting fraud, subject to the provisions of the Data Protection Act 1998.

4.28 Fraud trends will be analysed to identify high risk areas and this will be supported by pro-active fraud drives based upon that analysis.

4.29 Information exchange will be conducted where allegations are received within the framework of the Data Protection Act 1998 for the purposes of preventing and detecting crime.

4.30 The Authority will make full use of its statutory powers including the power to enter business premises and obtain information regarding benefit customers and the authority to seek information from financial institutions and utilities companies in respect of benefit claims.

5.0 Detection and Investigation

5.1 Internal control systems and other preventative measures within the Authority provide indicators of fraudulent activity and are also designed to deter fraudulent activity. It is the responsibility of Heads of Service and managers to maintain effective control systems and to ensure that all staff comply with the instructions contained therein.

5.2 Despite the presence of internal controls, it is acknowledged that many frauds are discovered by chance or as a result of whistle blowing. The Authority has

established procedures to enable such information to be properly dealt with and the Authority's Whistle blowing Policy is published on the intranet and can be accessed using the following link:

<http://harvey/corporate/organisationaldevelopment/folder.2005-06-21.2431720730/>

- 5.3 The Whistle-blowing Policy provides a clear path for individuals to raise concerns of malpractice in any aspect of the Authority's work without fear of recrimination or victimisation. The Authority will take appropriate action to protect any individual who has raised a concern in good faith. The Policy deals with the reporting of fraud or suspected fraud through formal internal channels and also covers making disclosures to external bodies if there is an unsatisfactory outcome to an internal disclosure.
- 5.4 Employees can raise concerns regarding suspected fraud in the first instance with their immediate line manager but where they feel unable to do so, they can deal directly with any of the following:
- The Section 151 Officer
 - The Chief Executive
 - The Monitoring Officer
 - Any Head of Service
 - Internal Audit
 - Corporate Anti-Fraud Team
 - Any Trade Union Representative
- 5.5 Members, suppliers, contractors and the general public are also encouraged to report concerns through any of the above routes.
- 5.6 If an Employee considers that internal options for raising concerns about suspected fraud are not appropriate, the Employee may raise their concerns through "Public Concern at Work". This is a registered charity whose services are free and strictly confidential. Contact details for Public Concern at work are as follows:
- Telephone: 020 7404 6609;
 - Email: whistle@pcaw.co.uk
 - web site: www.pcaw.co.uk
- 5.7 Internal Audit will ensure that sound and effective audit is undertaken of the Authority's control systems and processes. The CAFT will undertake investigations into reports of suspected fraud and corruption. The two branches of the operation will work closely in a seamless manner to assist Corporate Management Team and Heads of Service to implement appropriate controls and provide solutions to control failures.
- 5.8 In accordance with Financial Regulations, all irregularities of a financial nature must be notified to the Authority's Section 151 Officer for investigation. This ensures:
- Consistent treatment of information regarding fraud and corruption
 - Proper investigation by an independent and experienced Counter-Fraud Investigation Team, and
 - The optimum protection of the Council's interests.
- 5.9 All suspicions of fraud reported to the CAFT will be reviewed and subject to a risk assessment. Some will be followed up with by way of investigation whilst others may be considered to be better dealt with as a management issue.

- 5.10 Where investigations are undertaken, the CAFT will work closely with Corporate Management Team and Heads of Service to ensure that all allegations are properly investigated. All evidence gathered and interviews conducted will be in accordance with the Police and Criminal Evidence Act 1984, the Regulation of Investigatory Powers Act 2000, the Human Rights Act 1998 and the Criminal Procedure and Investigations Act 1996.
- 5.11 Where a member of staff is to be interviewed as a suspect, the investigating officer(s) will consult and take advice from the Head of Organisational Development, who will advise those involved in the investigation in matters of employment law and other procedural matters.
- 5.12 The Council's Disciplinary Procedures will be applied to Employees where the outcome of an investigation indicates improper behaviour or misconduct.
- 5.13 Under no circumstances should an Employee speak or write to representatives of the media or another third party about a suspected fraud, without the express authority of the Chief Executive Officer.
- 5.14 When it is found that fraud or corruption has occurred as a result of a weakness in the Authority's systems or procedures, Head's of Service will ensure that appropriate improvements in systems or control are implemented to prevent a recurrence.
- 5.15 Where financial impropriety is discovered relating to Members, Employees or external organisations, that matter may be referred to the Police. Such decisions will be made by the Authority's Section 151 Officer. Referral to the Police will not necessarily prohibit action under the Council's Disciplinary Procedures. An internal investigation need not wait for the conclusion of any investigation by the Police.
- 5.16 Investigations may be carried out by the Council's External Auditors and will therefore be in accordance with their own established procedures.

6.0 Deterrence

6.1 Sanctions, Prosecution and Redress

- 6.2 The Authority employs a Housing Benefit and Council Tax Benefit Prosecution Policy ("HBCTBPP"). In cases where an offence has been committed against these benefits, the case will be considered for prosecution in accordance with the Authority's HBCTBPP.
- 6.3 Prosecution will not be restricted to Housing Benefit and Council Tax Benefit fraud cases and will include any area within the Authority where there is evidence to indicate a fraud related offence has been committed. Decisions on whether a prosecution will be undertaken will be made by the Head of Legal and Democratic Services. Prosecution will be considered in all appropriate cases although the Authority recognises that it may not always be in the public interest to prosecute.
- 6.4 The Authority will also seek to recover all monies obtained through fraudulent activity.

6.5 Sanctions – Employee’s

6.6 An Employee will face disciplinary action if it is established that they were involved in a fraud or corruption offence committed against the Authority. Disciplinary action may be taken in addition to, or instead of, criminal proceedings and will be dependant on the circumstances of each individual case.

6.7 Sanctions – Members

6.8 Members will face appropriate action under the Members Code of Conduct if they are found to have been implicated in theft, fraud or corruption involving the Council. Action will be taken in addition to, or instead of, criminal proceedings and will be dependant on the circumstances of each individual case.

6.9 Publicity

6.10 The Authority is committed to tackling fraud and corruption when it occurs. To ensure that this commitment is communicated to Employee’s and the public, the Authority’s anti-fraud and corruption activities will be publicised. This may include the use of warnings on Council application forms, newsletters and internet, local press and other relevant media. In particular, the Authority will seek to publicise the outcome of all successful prosecutions where it is considered appropriate to do so.

7.0 Raising Fraud Awareness

7.1 The Authority recognises that the success of its Corporate Anti-Fraud and Corruption Policy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of Employees throughout the organisation.

7.2 Managers should ensure that all new Employees receive induction. As part of this process, new Employees should be informed of the Authority’s commitment to dealing with fraud and corruption, it’s Corporate Anti-Fraud and Corruption Policy and provided with fraud awareness training.

8.0 Training for Investigators

8.1 The investigators employed within the CAFT hold relevant qualifications and undertake ongoing training. The investigators are also required to comply with a Code of Conduct for Investigating Officers which is publicised on the intranet and can be accessed using the following link:

<http://harvey/corporate/custservs/revs/BenefitFraud/>

9.0 Review

9.1 This policy will be reviewed every two years. The post responsible for conducting the review will be the Fraud Investigation Manager.

10.0 Conclusion

10.1 South Derbyshire District Council has established a robust network of systems, policies and procedures to assist in the fight against fraud and corruption. It is determined to that these arrangements will keep pace with future developments, in

both preventative and detection techniques regarding fraudulent and corrupt activity affecting its operation or related responsibilities. Consequently, the Authority will maintain a continuous overview of these arrangements.

Appendix 1 – Key Roles and Responsibilities

AUDIT AND RISK FUNCTION	CORPORATE ANTI-FRAUD TEAM FUNCTION
Audits of the council's overall anti-fraud arrangements	Drafting & updating of anti-fraud and corruption policy
Audit of the council's investigation arrangements (CAFT)	National Anti-Fraud Network liaison, fraud scam alerts, police liaison, bulletins and newsletters
Systems based anti-fraud reviews in high risk areas	National Fraud Initiative investigations and co-ordination
Investigation of irregularities which appear to stem from errors or system weaknesses	Investigation of irregularities which appear to stem from fraud, theft, deception, bribery and corruption or collusion. To include internal and external cases and any authorised directed surveillance activities
Systems advice on fraud prevention and detection	Advice and guidance on fraud investigation awareness activities
Reporting to Audit Sub-Committee on irregularities arising from system weaknesses	Reporting to Audit Sub-Committee on cases of fraud, theft, deception, bribery and corruption or collusion.
Assisting external audit in their annual review of anti-fraud arrangements	Assisting external audit in their annual review of anti-fraud arrangements